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Policies, Goals & Basis For Future General Fund Budget Projections

The financial policies for Forsyth County on page 14 include:

1. The total debt service for long-term obligations, less revenues restricted to debt service (including, but not limited to, federal payments related to "Build America Bonds", "Qualified School Construction Bonds", and State lottery proceeds), should not exceed 15% of the total annually adopted budgets as shown in the Budget Ordinance.
2. Fund Balance available for appropriation in the General Fund should be at least 16% of the subsequent year's budget. For FY 2012-2013, 16% equals \$63,057,652.
3. Projections of revenues, expenditures and fund balances for the next five years should be updated annually. Longer-range projections should be developed as appropriate.
4. The Board of Commissioners prefers to limit the growth of the annual operating budget to an amount which can be accommodated by growth in the tax base as well as other local, state and federal revenues, without a tax rate increase, whenever possible.

In keeping with these policies, the Future General Fund Budget Projections sheet is prepared each year. Allowable growth in operating expenses is considered within the framework of anticipated growth in the revenues, and the County's overall financial policies.

This sheet also summarizes the future tax rates, per penny equivalent, long term debt including capital improvement projects, long term debt as a percentage of the budget including the CIP, and debt capacity. Careful attention to these trends helps the County to stay within policy guidelines, and to make corrections as needed.

Policies and Goals

Mission Statement

The mission of Forsyth County government is to help create a community, which is safe and healthy, convenient and pleasant to live in, with educational and economic opportunities for everyone. We cooperate with many other public agencies and community organizations in this mission.

We provide certain services and functions, which are responsibilities of all county governments, and other services, which the Board of Commissioners has determined to be necessary and appropriate.

We are committed to providing quality services, efficiently and effectively, with courteous attention to the opinions and needs of individual citizens.

County Government In North Carolina

The Constitution of North Carolina allows the General Assembly (our State legislature) to create counties, cities and towns; to determine their boundaries; and to establish their power and duties.

In many ways, county governments are simply convenient administrative subdivisions of the State. They have been established to provide certain public services and functions, which need to be available to everyone. For example, all 100 counties in North Carolina must provide for:

- Financial support for the public schools;
- The office of Sheriff and the jail;
- Facilities for the courts;
- Certain public health services;
- Administration of the State program of social services;
- Voter registration and elections;
- The Register of Deeds;
- Youth detention; and,
- Building, plumbing, and electrical inspections.

Counties are also authorized to provide many other services and functions which the County Board of Commissioners may find to be necessary and appropriate for the community. Most counties in North Carolina (including Forsyth) also provide for:

- Emergency management;
- Emergency medical services;
- Rural fire protection and rescue squads;
- Animal control;
- Libraries;
- Cooperative Extension; and,
- Solid waste collection and disposal.

Many counties (including Forsyth) also provide for:

- Park and recreation facilities and programs;
- Land use planning and regulation of development;
- Water and sewer utilities;
- Economic development programs;
- Funding for the Area Mental Health Authority;
- Funding for the local Community College;
- Projects to provide low and moderate income housing; and
- Purchasing.

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Although State requirements determine what many of the services and functions of the County must be, the County does have considerable discretion about how to provide these services, and at what level to fund them. Some services and functions are provided directly by the County. Others are provided through contracts with the City of Winston-Salem or contracts with other providers.

The County also makes special appropriations to other community organizations, which provide human services, arts and cultural programs, and supportive services for the justice system.

Matrix Linking Departments to County Goals						
Create a community in which to live that is and/or provides:						
				Educational/ Economic		
			Convenient & Pleasant	Opportunities For Everyone	Note 1 Below	Note 2 Below
	Safe	Healthy				
Animal Control	x	x	x			
Emergency Management	x					
Interagency Communications	x					
Sheriff	x					
Emergency Services						
Emergency Medical Svcs.		x				
Fire Protection	x					
Court Services	x					
Environmental Assist.& Protection		x	x			
Inspections			x			
Medical Examiner	x					
CenterPoint Human Svcs.		x				
Public Health		x				
Social Services	x			x		
Youth Services	x					
N.C. Cooperative Svc.		x		x		
Forsyth Tech Comm. College				x		
Schools				x		
Library			x			
Parks & Recreation			x			
Housing				x		
Budget & Management					x	
Management Information Svcs.					x	
Finance					x	
General Services					x	
Human Resources					x	
Planning				x		
Purchasing					x	
Economic Development				x		
Attorney					x	
Board of Elections						x
County Comm. & Manager					x	
Register of Deeds						x
Tax Administration						x
Special Appropriations	x	x	x	x		
Non-Departmental						x
Debt Service					x	
1. To provide a sound basis for budgeting, accounting and financial reporting and to maintain County facilities, technology and staffing problems.						
2. To provide certain services and functions which are the responsibilities of all County governments, and other services, which the Board of Commissioners has determined to be necessary and appropriate.						

Policies and Goals

Operating Policies and Goals

1) Create a community that is safe.

The Emergency Management, Interagency Communications, Emergency Services, Sheriff, Animal Control, Medical Examiner, Social Services, Youth Services, & Court Services departments include funds to meet this goal. It will be accomplished by:

- a) Meeting the law enforcement needs of the unincorporated areas of the County, as well as several municipalities, through the Sheriff's Department which patrols, investigates crime, executes court orders, serves papers and eviction notices, and collects judgements.
- b) Conducting medical examinations and autopsies of deaths, as specified by State Law.
- c) Providing School Liaison officers in middle and high schools in the unincorporated areas of the County.
- d) Aiding the community before, during, and after disasters.
- e) Meeting space needs for detention facilities for the adult and youth populations of the County.
- f) Providing adequate facilities for the State-administered Court system.
- g) Providing responsive and professional fire protection to unincorporated areas of the County.
- h) Providing assistance related to animal control through picking up strays, unwanted, sick or injured animals, and dangerous and aggressive animals.
- i) Providing safe, humane housing for strays, abandoned, abused, and impounded animals, as well as providing euthanasia for unadoptable animals.
- j) Enforcing state and local laws concerning animals, and investigating animal bites and reports of animal cruelty.
- k) Providing child welfare programs including Child Protective Services, foster care, and adoptions.
- l) Providing special financial support to endeavors of the state administered District Attorney's office.

2) Create a community that is healthy.

The CenterPoint Human Services, Public Health, NC Cooperative Extension Service, Environmental Assistance and Protection, Emergency Services and Animal Control departments include funds to meet this goal. It will be accomplished by:

- a) Providing services for the treatment of mental illness, developmental disabilities, and alcohol and drug abuse.
- b) Supporting strategies that reduce teen pregnancy, infant mortality, HIV and other sexually transmitted diseases, substance abuse, dental disease, and other negative forces in the community.
- c) Starting and/or continuing programs which are relevant and comprehensive of Forsyth County community health needs, as determined by the Board of Health and the Health Director.
- d) Providing nutrition counseling, dental hygiene, and speech/hearing services.
- e) Providing nutrition education and food vouchers to breast-feeding and pregnant women, as well as infants and children.
- f) Supporting strategies that will ensure clean air and water, sanitary food handling establishments, hotels, motels, and other institutions as specified by state law.
- g) Providing adult health services, maternal and child health services, and communicable disease services.
- h) Maintaining responsive and professional emergency ambulance services throughout all areas of the County both incorporated and unincorporated.
- i) Providing the rabies quarantine program.

3) Create a community in which to live that is convenient and pleasant.

The Library, Parks & Recreation, Animal Control, Inspections, and Environmental Assistance and Protection departments include funds to meet this goal. It will be accomplished by:

- a) Providing recreation programs at all County Parks.
- b) Providing recreation programs at school sites and other County locations throughout the year.
- c) Enforcing the Zoning and Erosion Control Ordinances.

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- d) Providing a variety of materials, through the main Library and nine (9) branch libraries and Outreach programs, including research, genealogy, pleasure reading, audio-video, children's, career, education and job related, as well as public access computers and typewriters.
 - e) Administering programs related to animals, including responsible adoption program, lost and found program, and microchip ID program.
 - f) Providing awards to local farmers for the installation of "Best Management Practices".
 - g) Preserving farmland through the purchase of development rights.
- 4) Create a community with educational and economic opportunities for everyone. The Schools, Forsyth Technical Community College, Social Services, N. C. Cooperative Extension Service, Planning, Housing, and Economic Development departments include funds to meet this goal. It will be accomplished by:
- a) Providing facilities that are conducive to learning for the Winston-Salem/Forsyth County School System and the Forsyth Technical Community College.
 - b) Providing additional teachers beyond the number that the State of North Carolina provides for the elementary, middle, and high school environments.
 - c) Providing supplements to salaries of teachers and other personnel in the Winston-Salem/Forsyth County School System and Forsyth Technical Community College.
 - d) Providing medical, food, and daycare services, as well as cash assistance for families to help them become gainfully employed.
 - e) Providing training and advice to improve farm and agri-business profitability, environmental quality, and urban horticulture.
 - f) Administering the 4-H Program which teaches science and technology, and their application, to young people.
 - g) Assisting and expanding existing businesses, as well as recruiting targeted new industry to Forsyth County.
 - h) Providing affordable housing for low and moderate-income residents.

Financial Policies and Goals

These financial policies and goals are the basis for all of our budgeting, accounting and financial reporting:

1. **Tax Rate** – The Board of Commissioners strives to limit the growth of the annual operating budget to an amount which can be accommodated by growth in the tax base as well as other local, state and federal revenues, without a tax increase, whenever possible. Through management's careful stewardship of its resources, the County met this goal as the fiscal year 2013 budget was adopted with the County-wide ad valorem tax rate unchanged at 67.4 cents. Except for the portion of the tax rate earmarked for the Education Debt Leveling Plan, currently 4.1 cents, this is the seventh consecutive year with no tax increase to fund increased operational costs. This is reflective of the Board of Commissioners' desire to avoid burdening taxpayers with additional taxes and is particularly noteworthy given the concurrent downward pressure on revenue during this period.
2. According to North Carolina General Statute, local governments are required to operate under an annual balanced budget ordinance. A budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balances is equal to appropriations.
3. **Debt Policy** - Forsyth County recognizes that a formally adopted debt policy is fundamental to sound financial management. The total annual debt service, less revenues restricted to debt service (including but not limited to, federal payments related to "Build America Bonds" and "Qualified School Construction Bonds" and State lottery proceeds) shall not exceed 15% of the appropriations in the annually adopted budgets as shown in the Budget Ordinance. This policy of keeping debt service at less than a specified percentage of the budget greatly influences the timing and/or amount of funding for a project, as well as the method of funding.

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4. Maintain the County's Aaa/AAA bond ratings (Moody's Investors Service, Standard & Poor's, and Fitch Investors,Service).
5. **Fund Balance Policy** – Available fund balance in the General Fund should be at least 16% of the subsequent year's budget. Fund balance is defined as the cumulative difference of all revenues and expenditures from the government's creation. Fund balance is defined as the equity (excess) of assets over liabilities in a governmental fund. For Internal Service and Special Revenue funds, fund balance is uncommitted cash or other liquid/cash convertible assets in excess of fund liabilities. In North Carolina, the Local Government Commission requires a minimum fund balance of 8% for cash flow purposes, since receipt of cash does not coincide with needed cash disbursements. For Forsyth County, fund balance in the fund financial statements is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. These five categories are:
 - a) Non-spendable – amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
 - i) Prepaid items – the portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.
 - b) Restricted - includes revenue sources that are statutorily restricted for specific purposes, or restricted for specific purposes by grantors or creditors. Forsyth County has nine restricted categories of fund balance: 1) *Restricted for Stabilization by State Statute* – this amount is usually comprised of receivable balances that are not offset by deferred revenues and encumbrances related to purchase orders and contracts outstanding at year end that will be honored by the County in the next fiscal year; 2) *Restricted for Register of Deeds* – this represents the unspent portion of Register of Deeds fees whose use is restricted by State statute for expenditure on computer and imaging technology in the office of the Register of Deeds; 3) *Restricted for Capital Projects*; 4) *Restricted for Fire Protection*; 5) *Restricted for Law Enforcement*; 6) *Restricted for Emergency Telephone System*; 7) *Restricted for Other* – the portion of fund balance restricted by revenue source for soil & water conservation, social services, and library purposes; 8) *Restricted for Human Services*; and 9) *Restricted for Housing and Community Redevelopment*.
 - c) Committed – includes amounts that can only be used for specific purposes imposed by majority vote of the governing board. Any changes or removal of specific purposes requires majority action by the governing board. Forsyth County has four committed categories of fund balance: 1) *Committed for Education Debt Leveling Plan* – in the General Fund, unspent revenue generated by three cents of the ad valorem tax rate and interest on the unspent portions thereof are designated for retirement of general obligation education debt authorized by the November 2006 referendum. In addition, in the General Fund, unspent revenue generated by one point one cents (1.1¢) of the ad valorem tax rate and interest on the unspent portion thereof, are designated for the retirement of general obligation education debt authorized by the November 2008 referendum.; 2) *Committed for Economic Development* – in the General Fund, unspent revenue generated by the repayment of economic development incentives by Dell Corporation is committed for future economic development purposes; 3) *Committed for Timber Management – Tanglewood Park* – in the General Fund, unspent revenue generated by the sale of timber is committed for timber management purposes at Tanglewood Park such as replanting, etc.; and 4) *Committed for Capital Projects* – the portion of fund balance formatted by action of the governing board for certain school and County capital expenditures.
 - d) Assigned – this classification includes amounts that the County budgets for specific purposes. In Forsyth County, there are three (3) categories of assigned fund balance: 1) *Assigned for Subsequent Year Budget* – this represents the portion of fund balance appropriated in the

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- e) Assigned – this classification includes amounts that the County budgets for specific purposes. In Forsyth County, there are three (3) categories of assigned fund balance: 1) *Assigned for Subsequent Year Budget* – this represents the portion of fund balance appropriated in the adopted 2012-2013 Budget Ordinance that is not already classified as restricted or committed; 2) *Assigned for Capital Maintenance Projects* – in the General Fund, unassigned fund balance in excess of 16% of the subsequent year's budget is assigned for capital maintenance and capital outlay in the subsequent year. Of the total assigned, the first \$2.1 million is designated for planned capital maintenance, and the remainder is for pay-as-you-go capital expenditures; and 3) *Assigned for Fire and Rescue Protection* – this represents the portion of fund balance assigned for fire and rescue protection expenditures.
- f) Unassigned – this portion of fund balance has not been restricted, committed, or assigned to specific purposes or other funds.
6. **Revenue Spending Policy** – the County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Chief Financial Officer will use resources in the following order: debt proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Chief Financial Officer has the authority to deviate from this policy if it is in the best interest of the County.
7. Projections of revenues, expenditures and fund balances for at least the next five years are updated annually. Longer-range projections are developed as appropriate.
8. The Capital Improvement Plan which includes anticipated capital projects and related debt service and operating costs for the subsequent six years, are updated annually. The annual impact on the General Fund is delineated on pages located within the Capital Improvements Plan tab.
9. The County does not expect to undertake any major new programs, projects or expansion of services without substantial public support for both the services and the tax rate increase, if necessary, to support them.
10. We should evidence the quality of our Comprehensive Annual Financial Report and our Annual Budget by receiving the Government Finance Officers Association Certificate of Achievement for Excellence In Financial Reporting and the Distinguished Budget Presentation Award.
11. The Board of Commissioners has adopted an investment policy with the objectives of safety, liquidity and yield, in that order. That policy and the relevant state law place emphasis on credit quality and maturity. Under the authority of North Carolina General Statute 159-30, the County invests in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).
12. Internal Audit has the objective of auditing each department on a four-year cycle and providing a written report to the Board of Commissioners.
13. Management provides financial and operating reports to the Board of Commissioners on a monthly basis.
14. The County maintains aggressive safety and risk management programs to protect employees and minimize financial exposure to the County.
15. The County is committed to simplicity in its financial accounting and reporting and therefore, levies property tax and accounts for all of its on-going operations in the General Fund.

Policies and Goals

Basis of Budgeting and Budgetary Amendments

In accordance with North Carolina General Statutes, Forsyth County uses the modified accrual basis for budgeting and for the audited financial statements. The modified accrual basis requires the recognition of certain revenue when it becomes measurable and available to meet the operation of the current period. Therefore, for financial reporting purposes, revenue under certain programs will be recognized prior to being received in cash.

As required by North Carolina law, the County adopts an annual budget for the General Fund and for four Special Revenue Funds: the Fire Tax Districts Fund, the Law Enforcement Equitable Distribution Fund, the Emergency Telephone System Fund, and the Moser Bequest for Care of Elderly Fund. All annual appropriations lapse at fiscal year end. Funds authorized by project ordinance continue until the projects are closed. The agency funds do not require annual budgets.

The County Manager is authorized to transfer budgeted amounts within any fund or financial plan and report such transfers to the Board of Commissioners; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Commissioners.

Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Amendments may be initiated by the affected department, the County Manager's Department or by administrative departments such as Budget or Finance when the need becomes apparent. Details describing the amount and nature of the amendment are entered on standard Ordinance Amendment Cover Sheet and Board Appropriation forms.

These forms are submitted to the County Manager by the requesting department. The forms are entered onto a log, and are circulated to staff departments (Budget, Finance, Attorney and sometimes Human Resources). Each staff department reviews the item, and indicates either agreement or disagreement, with supplemental notes if needed. The item is then returned to the County Manager and is discussed during bi-weekly staff meetings. Dates are set during the staff meetings for presentation of the item to the Board of Commissioners.

Agenda items are generally reviewed by the Board of Commissioners at two Thursday afternoon briefings before being voted on at a bi-monthly Monday night Commissioners' meeting. When the item is approved by the Board of Commissioners, Finance Department staff enters the data into the accounting system to complete the process.

There are 3 categories of budget revisions that do not require formal prior approval by the Board of Commissioners:

1. **Transfers between departments.** These transfers are approved by the County Manager, and reported to the Board of Commissioners at their regularly scheduled meetings. A standard form is initiated by the requesting department or the Budget & Management Department describing the reason for the transfer and listing the amounts being transferred into or out of specific accounts. The transfer is circulated to the staff departments for signature and is then sent to the Manager for approval. When the transfer is approved by the Manager, the Finance Department makes the needed changes in the accounting system.

An example is the annual salary revision. Budgeted salary figures are based on estimates made at the midpoint of the fiscal year. At the beginning of the new fiscal year, the revision brings all salary accounts to the "real world" as of July 1. Funds are moved out of (or into) the salary lines for each department and any overall savings are moved to a budget reserve account in Non-Departmental.

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2. **Transfers within a department requiring the Manager's approval.** Certain types of transfers go through the circulation and approval process described above, but are not formally approved by or reported to the Board of Commissioners. They include:
 - a. Transfers into or out of Personal Services
 - b. Transfers into (but not out of) Capital Outlay
 - c. Transfers into (but not out of) Training & Conference
 - d. Transfers into or out of Claims and Insurance Premiums
 - e. Transfers between accounts in grant funded programs when allowed by grantor
 - f. Transfers between accounts in Capital and Grant Project Ordinances

3. **Transfers at discretion of department.** Departments have the discretion to transfer funds within expenditure lines in their adopted budgets with the exception of the areas described above. A standard form used to describe the reason and amount of the transfer is sent to the Finance Department by the requesting department. Finance enters the requested changes into the financial system.

The County follows the modified accrual basis of accounting for the General Fund, the special revenue funds, and the project ordinances. The accrual basis is used for agency funds and the Pension Trust Fund. The Pension Trust Fund has a flow of economic resources measurement focus. All of these funds are accounted for using a current financial resources measurement focus except the agency funds which are custodial in nature and do not involve measurement of results of operations.

Debt Management

The majority of debt service for the County is shown in the General Fund. However, less than 1% of annual debt service is shown in the Emergency Telephone System Special Revenue Fund and is an allowable expense of E-911 revenue generated from a \$0.60 per month per subscriber fee for all landline and cellular telephones.

General obligation bonds are backed by the full faith, credit and taxing power of the County. Installment purchase obligations are secured by the real or personal property acquired in the transaction. Principal and interest requirements for general obligation bonds and installment purchase obligations are appropriated in the General Fund when due.

The Board of Commissioners adopted a debt policy limiting the total debt service for long-term obligations, less revenues restricted to debt service (including, but not limited to, federal payments related to "Build America Bonds", "Qualified School Construction Bonds", and State lottery proceeds) to 15% of the total annually adopted budgets.

Annual requirements to amortize general obligation bonds and installment purchase obligations, including interest (total outstanding debt) are presented on the Debt Service pages 220-223.

A portion of debt is appropriated in the E911 Emergency Telephone System Special Revenue Fund. Statutes allow for the fund to be used for debt on allowable 911 expenditures. The debt apportioned to this fund is for debt associated with the 1998 COPS and 2005 Refunding COPS for equipment related to dispatching emergency calls.

Balanced Budget

North Carolina General Statute 159-8 states that each local government and public authority shall operate under an annual balanced budget ordinance. A balanced budget is defined as follows: A budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balances is equal to appropriations.